GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:581
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MFIs
Basheer Shri E. T. Mohammed;Kharge Shri Mallikarjun ;Raghavan Shri M. K.;Siddeshwara Shri Gowdar Mallikarjunappa

Will the Minister of FINANCE be pleased to state:

(a) whether micro-finance sector has grown rapidly over the years on account of inadequate banking reach in various parts of the country;
(b) if so, the details thereof along with the number of Micro-Finance Institutions (MFIs) registered with the Reserve Bank of India (RBI) as on date, State/UT-wise;
(c) whether MFIs have reportedly been involved in charging of high rate of interest using coercive methods for recovery of loans and other irregularities and if so, the details thereof, including rate of interest allowed to them;
(d) the details of the regulatory framework put in place by the Government for regulation of MFIs; and
(e) the measures taken / proposed to be taken for the development of MFIs and also safeguarding the interest of the borrowers?

Answer

(MINISTER OF STATE IN THE MINISTRY OF FINANCE)

(a)& (b): The number of bank branches in the country has increased to 1,34,014 in June, 2016 from 60,220 in 1991 indicating improved banking reach in various parts of the country. The Micro Finance Institutions (MFIs) have also grown in the country which has further supplemented the financial services across the country. As per Sa-Dhan Bharat Micro Finance Report 2016, number of MFI borrowers increased to 3.60 crore in 2016 from 0.03 crore in 2001. The report also states that the gross loan portfolio of MFIs increased to Rs.63,853 crore in 2016 from Rs. 65 crore in 2001. These data indicate the growth of micro finance sector over the years.

There are 71 Non Banking Financial Company-Micro Finance Institutions (NBFC − MFIs) registered with Reserve Bank of India's (RBI) Regional offices. The list is attached at Annexure I.

(c): Complaints against NBFC-MFIs only are monitored by RBI. As per information furnished by RBI, a few complaints against NBFC-MFIs have come to notice which have been subsequently redressed.
RBI has advised the NBFC-MFIs that the interest rates charged by it to its borrowers will be the lower of the following:
i. Cost of funds, plus margin (10%/12% based on size of NBFC-MFI); or
ii. The average base rate of the five largest commercial banks by assets multiplied by 2.75.

(d) & (e): NBFC-MFIs are regulated by RBI under the provisions of Chapter IIIB of the RBI Act, 1934. RBI has issued regulatory guidelines and Fair Practice Code for these NBFC-MFIs. RBI has given recognition to two Self Regulatory Organisations (SROs). MFIs which are members of these Self Regulatory Organisations (SROs) also adhere to a voluntary industry Code of Conduct.

RBI has issued guidelines to NBFC-MFIs to ensure that a Board approved policy is in place with regard to Code of Conduct by field staff. The Code of Conduct inter-alia covers recovery procedures, consumer protection and grievance redressal. In addition MFIs which are members of SROs also adhere to a voluntary industry Code of Conduct for greater transparency, grievance and dispute redressal by their member MFIs.

Government of India has created "India Microfinance Equity Fund" (IMEF) of Rs.100 crore with SIDBI with the primary emphasis of providing equity and quasi equity to smaller MFIs to help them maintain growth and achieve scale and efficiency in their operations. A further allocation of Rs.200 crore has been made to the IMEF in the budget for FY 2014. Up to September 30, 2016 an amount of Rs.182 crore has already been committed under IMEF.

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